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# 2001 Annual Report



**Desjardins**

**Desjardins  
Trust**







## Company Profile

In the Québec arena of financial and specialized trust services, one company has long occupied a more than enviable position. Desjardins Trust is the leader of trust services in Québec with approximately \$150 billion in assets under administration. Owned by the leading financial institution in Québec – Mouvement des caisses Desjardins – Desjardins Trust designs products and services in the area of family asset management and administration. More particularly, it specializes in investment funds, private management services, group savings plans, as well as in asset custody and administration services.

Desjardins Trust meets the needs of individuals, companies, institutions and pension funds in the private, public and co-operative sectors. The company rests on a work force of 850 employees bent on serving its clientele and supplying its distribution networks. Its products and services are distributed through its offices in Montréal, Laval, Longueuil, Québec City and Gatineau, as well as through its Desjardins caisses throughout Québec and Ontario, the branches of Laurentian Financial Services, Desjardins Securities offices, and the Canadian credit unions.

## Message to the Shareholder

Ranking at the top of the trust activities industry in Québec year after year, and polishing a highly enviable reputation in the area of specialized financial products and services day after day, requires an uncommon blend of audacity and expertise. Desjardins Trust, leader in the trust activities sector (with 60% of the Québec market), top distributor of investment funds in Québec, and one of the most experienced promoters in the country, continues its progress with dynamism and know-how.

### Investment Funds

The 2001 financial period allowed Desjardins Trust to pursue its efforts aiming at the evolution of its families of investment funds. Thus, during the second half of the year, the Maestral family welcomed an eleventh fund, the Québec Growth Fund, acquired from Montrusco Bolton and intended for the market-intermediary networks.

The Maestral Québec Growth Fund, specializing in units of Québec firms, ranks as one of the three most performing funds in Canada, among all funds featuring a yield history of at least 10 years. Its acquisition is in keeping with the normal evolution of the Maestral Family of Funds.

Furthermore, the Desjardins Funds continued their expansion with the addition of two new elements: the Global Science and Technology Fund and the International RSP Fund. The newcomers offer the investor a choice advantage: maximum diversification without having to invest in several specialized funds. In addition, the new Desjardins Funds are consistent with a family that comprises all the elements allowing to constitute a balanced and adequately diversified portfolio for all types of investors.

Desjardins Trust offers its distribution networks not only competitive products, but also specialized training and top-quality sales support materials, two elements that factor into the quality of its offer.

### Private Management

Thanks to its enviable position in the area of private discretionary portfolio management in Québec, and to its up-market private management concept, Desjardins Trust is able to provide the Desjardins caisses' offer with precious support. In fact, it ensures asset management for high net worth members and clients while making their private family assets yield a profit that meets their expectations. In 2001, discretionary portfolio management services became more accessible with the addition of an offer of exclusive funds – an initiative that enjoyed immense success among private investors.

### Corporate Services

Desjardins Trust is also well established in the corporate sector with approximately \$150 billion dollars under management. Thus, as the custodian of the assets of a company or of a pension plan, Desjardins Trust can offer a host of complementary and adapted trust services.



### Rewarded Efforts

Desjardins Trust posted net earnings of \$14.5 million, an increase of 7.4% over the previous year, for the fiscal year ended on December 31, 2001, with a return on common shareholder's equity of 20.1%. Excluding the effect of taxation, the net earnings amount to \$23.6 million, a new record for the corporation.

Desjardins Trust enjoyed record revenues since its inception, with combined fee and investment revenues of \$116.5 million, compared to \$114.6 million for the previous year. This result is worth mentioning given the context of the year 2001, marked by high volatility following the fall of technology securities, a widespread drop in market indexes, and the events of last September.

Fee revenues rose by \$2.0 million; from \$86.6 million in 2000, they reached \$88.6 million in 2001. This increase in fee revenues is mainly attributable to the security administration and custody services, with a leap of 11% over last year, discretionary portfolio management services, which closed the year with 7% growth, and institutional savings plans – including the management of the program of the Capital régional et coopératif Desjardins – which enjoyed an increase of 13%.

As regards net earnings from investments, these amounted to \$27.9 million, compared to \$28.0 million for the previous year. This result is largely attributable to the reduction in interest rates.

Operating expenses remained stable in 2001, amounting to \$92.9 million in comparison to \$92.1 million for the previous year. This result confirms the corporation's control of the management of its activities, since it arises during a year in which the corporation not only pursued its business development efforts, but also broadened its human resources programs and increased its resources by approximately 60 permanent employees.

Lastly, as of December 31, 2001, Desjardins Trust's assets represented \$1.29 billion, that is the same amount for the same date the previous year.

### A Year of Revival for Mutual Funds

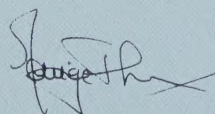
Desjardins Trust is back in full flow as regards the sale of mutual funds, its priority sector of activity, closing the year 2001 with \$4.9 billion of assets in Desjardins Funds. In order to offset the negative effects of the securities market, the gross sales of Desjardins Funds, amounting to \$1.3 billion, also allowed a 13% increase in fund assets over figures posted as of December 31, 2000. Desjardins Trust's efforts have borne fruit, as shown by its excellent performance in the Desjardins Funds whose net sales reached \$761 million last year.

### Outlook

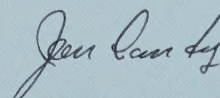
In order to pursue the development of its critical mass in the areas of investment funds and discretionary portfolio management, Desjardins Trust intends to diversify its products, distribution networks and markets. In 2002, it will focus on three main activities: first, maintain and even enhance Desjardins Trust's support to the caisses network; second, continue the business development effort; and lastly, pursue the development plan outside of Québec by looking for business opportunities in the Canadian investment fund sector – acquisitions or partnerships – that meet the value creation and yield criteria.

### A Choice Partner

Desjardins Trust ranks as a top-rate partner when the issue is to ensure the presence of Desjardins in growth-oriented market segments for the caisses network. Thanks to its highly recognized expertise, Fiducie Desjardins constitutes a precious ally for Mouvement Desjardins by providing it with the means to offer members a global and integrated offer. Here is an asset that contributes to making Desjardins the leading private family asset manager of all Quebecers.



**Monique F. Leroux, FCA**  
President and Chief Executive Officer



**Jean Landry, CA**  
President and Chief Operating Officer

# Consolidated Financial Statements

## Management Report

Desjardins Trust Inc.'s consolidated financial statements are the responsibility of the Corporation's Management and have been reviewed and approved by the Board of Directors. These consolidated financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles and comprise data based on Management's best estimates and on careful judgment. The choice of accounting principles and methods is Management's responsibility.

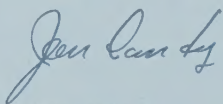
The Corporation maintains internal control systems designed to ensure the relevance and accuracy of the financial information and the safeguarding of assets. The systems are evaluated regularly by the Internal Audit Department.

Management recognizes its responsibility to conduct the Corporation's business in accordance with the requirements of relevant laws and generally accepted financial standards and principles, and to maintain appropriate supervisory standards in its operations.

The Board of Directors exercises its supervisory role over the consolidated financial statements through its Audit Committee, made up exclusively of members who are not officers of the Corporation.

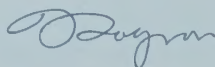
The duties of this Committee are to examine the consolidated financial statements and recommend their approval to the Board of Directors, and to examine the internal control and information security systems and any other items related to the Corporation's accounting system and finances. To accomplish this, the Audit Committee meets regularly with the internal and external auditors, with or without the Corporation's officers present, to examine their respective audit plans and discuss the results of their work. It is the Audit Committee's responsibility to recommend the appointment of the external auditors or the renewal of their mandate.

The external auditors, Ernst & Young LLP, appointed by the shareholder at the annual general meeting, have audited the Corporation's consolidated financial statements and their report, outlining their audit scope as well as their opinion on the consolidated financial statements, is presented hereafter.



Jean Landry, CA  
President and Chief Operating Officer

Montréal, February 20, 2002



François Gagnon  
Senior Vice-President, Finance

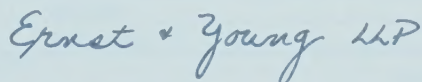
## Auditors' Report

To the shareholder of Desjardins Trust Inc.

We have audited the consolidated balance sheets of Desjardins Trust Inc. as at December 31, 2001 and 2000 and the consolidated statements of retained earnings, earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Ernst & Young LLP  
Chartered Accountants

Montréal, February 8, 2002

## Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

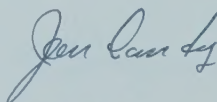
	2001	2000
<b>Assets</b> (notes 7 and 14)		
Cash and cash equivalents	\$ 316,280	\$ 387,838
Mortgage, industrial and commercial loans (notes 2 and 3)	384,092	431,658
Loans to an affiliated company (note 4)	67,247	98,833
Securities (note 5)	451,791	320,059
Interest receivable	8,823	8,532
Other assets (note 6)	63,705	41,127
	<b>\$ 1,291,938</b>	<b>\$ 1,288,047</b>
<b>Liabilities</b> (note 14)		
Secured deposits and interest payable (note 7)	\$ 1,162,426	\$ 1,148,949
Accounts payable and other (note 8)	48,253	49,417
	<b>1,210,679</b>	<b>1,198,366</b>
<b>Shareholders' equity</b> (note 9)		
Capital stock (note 10)	59,187	61,487
Contributed surplus (note 10)	3,989	3,613
Retained earnings	18,083	24,594
	<b>81,259</b>	<b>89,694</b>
Less: Treasury preferred shares (note 10)	—	(13)
	<b>81,259</b>	<b>89,681</b>
	<b>\$ 1,291,938</b>	<b>\$ 1,288,047</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

On behalf of the Board,



**André Lachapelle**  
Director



**Jean Landry**  
Director

## Consolidated Statements of Retained Earnings

<i>Years ended December 31 (in thousands of dollars)</i>	<b>2001</b>	<b>2000</b>
<b>Balance, beginning of year, as previously reported</b>	<b>\$ 24,594</b>	<b>\$ 9,304</b>
Restatement related to the change in accounting policy regarding income taxes (note 1)	<b>—</b>	<b>3,079</b>
<b>Balance, beginning of year, as restated</b>	<b>24,594</b>	<b>12,383</b>
Net earnings	<b>14,494</b>	<b>13,459</b>
Dividends on common shares (note 10)	<b>(20,000)</b>	<b>—</b>
Dividends on preferred shares, Series 1	<b>(1,005)</b>	<b>(1,248)</b>
<b>Balance, end of year (note 10)</b>	<b>\$ 18,083</b>	<b>\$ 24,594</b>

## Consolidated Statements of Earnings

<i>Years ended December 31 (in thousands of dollars)</i>	<b>2001</b>	<b>2000</b>
<b>Income (note 14)</b>		
Fee income (note 20)	<b>\$ 123,767</b>	<b>\$ 119,743</b>
Managers' fees and commissions on investment fund	<b>35,184</b>	<b>33,110</b>
Net fee income	<b>88,583</b>	<b>86,633</b>
Investment income	<b>79,519</b>	<b>83,353</b>
Interest expense	<b>51,624</b>	<b>55,315</b>
Net investment income	<b>27,895</b>	<b>28,038</b>
<b>Income before operating expenses</b>	<b>116,478</b>	<b>114,671</b>
<b>Operating expenses (note 14)</b>		
Salaries and employee benefits	<b>51,895</b>	<b>49,572</b>
Other operating expenses	<b>41,019</b>	<b>42,477</b>
	<b>92,914</b>	<b>92,049</b>
<b>Earnings before income taxes</b>	<b>23,564</b>	<b>22,622</b>
Income taxes (note 11)	<b>9,070</b>	<b>9,163</b>
<b>Net earnings</b>	<b>\$ 14,494</b>	<b>\$ 13,459</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

## Consolidated Statements of Cash Flows

<i>Years ended December 31 (in thousands of dollars)</i>	<b>2001</b>	<b>2000</b>
<b>Cash flows related to operating activities</b>		
Net earnings	\$ 14,494	\$ 13,459
Adjustments for:		
Provision on loan to an affiliated company (note 4)	(517)	(943)
Future income taxes	(1,085)	2,500
Depreciation of fixed assets	3,726	3,396
Amortization of deferred selling commissions	147	—
Increase in interest receivable	(410)	(2,319)
Decrease in interest payable	(4,655)	(1,129)
Changes in other items and accruals, net	(10,178)	5,521
	<b>1,522</b>	<b>20,485</b>
<b>Cash flows related to financing activities</b>		
Secured deposits, net	16,604	51,820
Redemption of preferred shares (note 10)	(1,911)	(2,052)
Dividends paid on common shares	(20,000)	—
Dividends paid on preferred shares	(1,005)	(1,248)
	<b>(6,312)</b>	<b>48,520</b>
<b>Cash flows related to investing activities</b>		
Mortgage, industrial and commercial loans, net	47,566	87,575
Loans to an affiliated company	32,103	32,795
Acquisitions of securities	(419,298)	(389,817)
Disposals of securities	180,487	131,236
Maturities of securities	107,079	106,309
Fixed assets	(3,597)	(3,505)
Security deposits	(9,500)	—
Deferred selling commissions	(1,608)	—
	<b>(66,768)</b>	<b>(35,407)</b>
<b>Cash and cash equivalents</b>		
Increase (decrease)	(71,558)	33,598
Balance, beginning of year	387,838	354,240
<b>Balance, end of year (note 13)</b>	<b>\$ 316,280</b>	<b>\$ 387,838</b>
Cash and deposits at Caisse centrale Desjardins (note 14)	\$ 32,632	\$ 25,151
Money market securities	283,648	362,687
<b>Cash and cash equivalents, end of year</b>	<b>\$ 316,280</b>	<b>\$ 387,838</b>

The accompanying notes to consolidated financial statements are an integral part of this statement.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

(All tabular amounts are in thousands of dollars unless otherwise stated)

Desjardins Trust Inc. (the Corporation) is a trust company incorporated under the Act respecting trust companies and savings companies and offers a range of services typical of a trust company. The Corporation is a wholly-owned subsidiary of Desjardins Specialized Financial Services Management Inc. (DSFSM). Through one of its subsidiaries, the Corporation also offers portfolio management services to individual investors.

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles.

In preparing the financial statements, Management is required to make estimates and assumptions. In Management's opinion, the financial statements have been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies summarized below. Actual results may differ from Management's estimates.

#### Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: Desjardins Investment Management Inc. (DIM) and Desjardins Trust Investment Services Inc. (DTIS).

#### Cash equivalents

Cash equivalents are limited to investments which are easily convertible to a known amount of cash, the value of which is not likely to change significantly and the original maturity of which is three months or less.

#### Mortgage, industrial and commercial loans

Mortgage, industrial and commercial loans are stated at their outstanding principal balances, net of the provision for loan losses. If necessary, a pledge or other charge is obtained from the client as collateral. Loans are considered to be impaired when, in Management's opinion, there is a reasonable doubt as to the collectibility of some portion of the principal or interest. When the principal or interest repayment is 90 days overdue, interest is no longer accrued, uncollected interest accrued on overdue

loans is charged to income for the year, and the loans are considered to be impaired unless they are guaranteed by the Canadian or a provincial government or are in the process of being collected. When loans are considered impaired, their carrying value is reduced to their estimated realizable amount, measured by expected future cash flows discounted at actual market interest rates. This shortfall is recorded as a charge for loan impairment.

Subsequent interest payments received on impaired loans are recorded as income only if there is no specific provision and if, in Management's opinion, there is no doubt as to the recovery of principal. An impaired loan can only regain its previous status if principal and interest payments are up to date and if Management no longer has any doubts as to its recoverability.

In general, restructured loans bear interest at a lower rate than the market rate obtained by new borrowers for similar loans. On the restructuring date, the investment recognized as a restructured loan is recorded at the amount of net cash flows receivable under the new loan terms, discounted at market interest rate when it is established that the loan is impaired. At the time of restructuring, the reduction in investment is recognized as a charge for loan impairment, unless a provision has already been recorded, in which case the provision is adjusted.

Foreclosed assets are recorded at the lower of their fair value on the foreclosure date and the carrying value of the related loan. Interest income is included in investment income when it is earned.

NOTE 1    **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Provision for mortgage, industrial and commercial loan losses**

The Corporation maintains an account provisions for loan losses at an amount deemed adequate to absorb probable credit losses of the loan portfolio. The account balance is increased by provisions for loan losses charged to the statements of earnings and decreased by write-offs and recoveries on loans for which provisions have already been made.

The account for provisions for loan losses is made up of general and specific provisions, which are established separately, on a loan-by-loan basis, for each loan considered impaired as a result of a regular review of the portfolio. In addition, general provisions are established to absorb credit losses due to a deterioration in credit quality with regard to the overall risk related to loans for which specific provisions cannot yet be determined.

Write-offs are recorded after all restructuring or collection activities have been completed and the possibility of further recovery is considered to be unlikely.

**Securities**

Securities are held for investment purposes and are acquired with the basic intention of holding them until their maturity, or until more profitable transactions are possible. Bonds and preferred shares are presented at cost, net of amortization. Common shares and money market securities whose original maturity is longer than three months are recorded at cost. Gains and losses realized on the sale of securities and the write-downs necessary to reflect permanent declines in values are charged to investment income in the year in which they occur. Interest income is included in investment income when it is earned.

**Fixed assets**

Fixed assets are recorded at cost less accumulated depreciation and are depreciated over their estimated useful lives based on the straight-line method.

**Depreciation periods:**

- Furniture: 10 years
- Computer equipment: 3 to 5 years
- Telephone and fax: 3 years
- Leasehold improvements:
- Lease term plus first renewal option

**Deferred selling commissions – investment funds**

Selling commissions relating to the Maestral Funds are recorded at cost and amortized following the straight-line method over a period of six years. The non-amortized portion of the deferred selling commissions was written off during the year since it is not likely that future products will allow the recovery of the non-amortized costs.

**Reverse repurchase agreements and repurchase agreements**

The Corporation enters into short-term purchases of securities under agreements to resell (reverse repurchase agreements) and sales of securities under agreements to repurchase (repurchase agreements). These agreements are treated as collateralized lending and borrowing transactions and are carried in other assets and in accounts payable and other. Interest earned or incurred on these agreements are included in investment income or interest expense.

**Income taxes**

On January 1, 2000, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. This new standard was adopted retroactively without restating the previous years' financial statements.

The Corporation uses the liability method whereby future income tax assets or liabilities are determined for each temporary difference based on the tax rates expected to apply at the dates the assets are realized and the liabilities are settled. Consequently, for the year ended December 31, 2000, the retained earnings' opening balance was increased by \$3,079,000 and future income tax assets were increased by an equal amount (note 6).

**Employee future benefits**

On January 1, 2000, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to employee future benefits. The adoption of this new standard had no significant impact on the consolidated financial statements.

The employees of the Corporation benefit from various defined benefit and defined contribution pension plans. The Corporation also provides life insurance, as well as health and dental coverage to qualifying retired employees under Mouvement des caisses Desjardins' multi-employer group insurance plan.

The cost related to both these plans is recorded under the accounting method for defined contribution plans. In fact, the amount charged to expense is essentially the same as the contributions made during the year.

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES** (continued)**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at year-end. Revenues and expenses are converted at the exchange rate in force on the date of the underlying transactions. Gains and losses on the translation of foreign currencies are included in investment income.

**Derivative financial instruments**

The Corporation uses derivative financial instruments to hedge its risks with respect to interest rates and foreign currencies. When derivative financial instruments are used for hedging purposes, the resulting gains and losses are usually deferred and amortized to investment income over the term of the item hedged.

Derivative financial instruments used most frequently are interest-rate and foreign currency swaps and forward contracts.

**Assets under administration****and assets under management**

Trust assets under administration are not included on the consolidated balance sheets. They are kept separate from Corporation funds and are recorded on the Corporation's books to show the accounts to which they belong. Fees are earned for providing trust, discretionary management and custodial services. Management fees are earned for providing investment management and mutual fund services. Fees are recognized when the services are provided.

**Comparative figures**

Certain comparative figures for the prior year have been reclassified to conform to the current year's presentation.

**NOTE 2 MORTGAGE, INDUSTRIAL AND COMMERCIAL LOANS**

Mortgage, industrial and commercial loans are as follows:

	2001	2000
<b>Mortgage loans</b>		
Secured by the government	\$ 158,328	\$ 194,780
Residential	200,341	219,300
Commercial	22,357	14,072
	381,026	428,152
<b>Industrial and commercial loans</b>	3,066	3,506
	\$ 384,092	\$ 431,658

Impaired loans included in mortgage, industrial and commercial loans are detailed as follows:

	Loans	Foreclosed assets	Specific provisions	2001 Net loans	Loans	Foreclosed assets	Specific provisions	2000 Net loans
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Mortgage loans</b>								
Secured by the government	—	174	—	174	—	616	—	616
Residential	303	332	357	278	891	329	370	850
Commercial	177	—	116	61	729	485	498	716
	480	506	473	513	1,620	1,430	868	2,182
General provision	—	—	—	2,575	—	—	—	2,622
	480	506	473	(2,062)	1,620	1,430	868	(440)

## NOTE 2 MORTGAGE, INDUSTRIAL AND COMMERCIAL LOANS (continued)

Performing mortgage, industrial and commercial loans mature on the following dates and have the following yields:

2001	Less than 1 year		From 1 to 3 years		From 3 to 5 years		5 years and over		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Mortgage loans</b>										
Secured by the government	62,419	6.49	63,754	6.63	27,620	6.86	4,361	6.07	158,154	6.60
Residential	62,173	6.64	96,912	6.68	41,230	7.09	2,066	6.52	202,381	6.75
Commercial	2,369	7.10	2,048	7.13	12,597	7.38	5,539	7.36	22,553	7.32
	126,961	6.57	162,714	6.67	81,447	7.06	11,966	6.74	383,088	6.72
<b>Industrial and commercial loans</b>	—	—	3,066	8.33	—	—	—	—	3,066	8.33
	126,961	6.57	165,780	6.70	81,447	7.06	11,966	6.74	386,154	6.73

2000	Less than 1 year		From 1 to 3 years		From 3 to 5 years		5 years and over		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Mortgage loans</b>										
Secured by the government	75,047	7.57	71,110	6.84	31,097	7.20	16,848	6.92	194,102	7.19
Residential	77,288	7.46	81,497	6.90	38,940	7.08	23,028	6.90	220,753	7.13
Commercial	2,751	8.80	2,448	7.58	4,385	8.09	4,153	7.65	13,737	8.01
	155,086	7.54	155,055	6.88	74,422	7.19	44,029	6.98	428,592	7.19
<b>Industrial and commercial loans</b>	—	—	1,036	7.43	2,470	8.56	—	—	3,506	8.23
	155,086	7.54	156,091	6.88	76,892	7.23	44,029	6.98	432,098	7.20

## NOTE 3 PROVISION FOR MORTGAGE, INDUSTRIAL AND COMMERCIAL LOAN LOSSES

	2001	2000
Balance, beginning of year	\$ 3,490	\$ 3,766
Write-off of loans	(442)	(276)
Balance, end of year	\$ 3,048	\$ 3,490

## NOTE 4 LOANS TO AN AFFILIATED COMPANY

	2001	2000
Loans to an affiliated company (a, b)	\$ 67,247	\$ 98,833

(a) The loan of \$58,447,000 (\$79,099,000 in 2000) bears interest at an annual rate equal to the average interest rates earned on performing assets. It is cashable on the first day of each month or according to an agreement between the parties at the same time as the cash flows from the transferred assets. The annual rate is 7.29% for 2001 (7.68% for 2000).

(b) The loan of \$8,800,000 (\$19,734,000 in 2000) bears interest at 2.00% and is repayable on December 1, 2003. It is cashable in quarterly instalments from all amounts received by the affiliated company, net of expenses. This loan was transferred to a subsidiary

of GSFSD following the subsidiary's acquisition of two subsidiaries of the Société d'administration d'actifs commerciaux Desjardins Inc. (SAACD) on December 31, 1999. The book value of this loan was discounted by \$1,988,000, by attribution to the reduction in investment revenues. This discount was reversed by \$517,000 in 2001 (\$943,000 in 2000). The fair value of this loan was estimated by discounting cash flows for mortgage loans transferred to an affiliated entity at the market rate for loans involving a similar credit risk as at December 31, and applied to the sums allocated at maturity, adjusted to factor in the early extinguishment of debt, if applicable.

**NOTE 5 SECURITIES**

	Book value	2001 Market value	Book value	2000 Market value
	\$	\$	\$	\$
<b>Fixed-income debt securities</b>				
Government				
Canada	44,071	44,777	11,104	11,345
Provinces	97,062	101,197	76,343	77,881
Municipalities and school boards	6,354	6,474	13,014	13,040
Corporations	251,157	259,431	179,581	182,057
	398,644	411,879	280,042	284,323
<b>Shares and investment fund units</b>	53,147	52,067	40,017	39,417
	451,791	463,946	320,059	323,740

**Maturity dates and yields<sup>(a)</sup>**

2001	Less than 1 year		From 1 to 3 years		From 3 to 5 years		5 years and over		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Fixed-income debt securities</b>										
Government										
Canada	29,491	2.57	10,445	5.50	4,047	5.52	88	5.50	44,071	3.54
Provinces	37,771	4.00	57,460	7.77	1,132	5.02	699	5.97	97,062	6.26
Municipalities and school boards	2,635	4.79	2,372	4.82	843	5.31	504	5.77	6,354	4.95
Corporations	123,563	5.40	65,213	6.01	45,872	6.61	16,509	5.47	251,157	5.78
	193,460	4.69	135,490	6.70	51,894	6.47	17,800	5.50	398,644	5.64
<b>Shares and investment fund units</b>	13,193	6.84	6,572	6.58	—	—	33,382	0.01	53,147	2.52
	206,653	4.83	142,062	6.69	51,894	6.47	51,182	1.92	451,791	5.27

2000	Less than 1 year		From 1 to 3 years		From 3 to 5 years		5 years and over		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Fixed-income debt securities</b>										
Government										
Canada	1,014	5.57	9	5.43	10,060	6.70	21	5.88	11,104	6.59
Provinces	51,386	6.95	18,509	6.50	5,627	6.63	821	6.17	76,343	6.81
Municipalities and school boards	11,628	6.01	534	6.55	464	6.05	388	6.21	13,014	6.04
Corporations	14,783	5.86	119,805	6.44	15,177	6.68	29,816	6.52	179,581	6.43
	78,811	6.59	138,857	6.45	31,328	6.67	31,046	6.51	280,042	6.52
<b>Shares and investment fund units</b>	900	8.40	5,163	6.50	—	—	33,954	0.10	40,017	1.11
	79,711	6.61	144,020	6.45	31,328	6.67	65,000	3.16	320,059	5.84

(a) The classification of securities according to the remaining terms is established based on the contractual maturity date of the securities.  
Securities which do not have a maturity date are classified as 5 years and over.

**NOTE 6 OTHER ASSETS**

	2001	2000
Fixed assets		
Cost	\$ 20,909	\$ 19,473
Accumulated depreciation	9,384	7,819
	11,525	11,654
Accounts receivable	23,888	19,039
Reverse repurchase agreements	10,557	4,096
Future income tax assets	6,515	5,132
Security deposits	9,500	—
Deferred selling commissions	1,461	—
Other	259	1,206
	\$ 63,705	\$ 41,127

**NOTE 7 SECURED DEPOSITS AND INTEREST PAYABLE**

	2001	2000
Secured deposits	\$ 1,143,021	\$ 1,126,417
Accrued interest and other	19,405	22,532
	\$ 1,162,426	\$ 1,148,949

**Maturity dates and yields**

2001	Less than 1 year		From 1 to 3 years		From 3 to 5 years		Total	
	\$	%	\$	%	\$	%	\$	%
Secured deposits	913,118	2.50	177,158	4.61	52,745	5.43	1,143,021	2.96

2000	Less than 1 year		From 1 to 3 years		From 3 to 5 years		Total	
	\$	%	\$	%	\$	%	\$	%
Secured deposits	857,720	5.07	199,000	5.47	69,697	5.82	1,126,417	5.19

Assets held specifically to collateralize these deposits are as follows:

	2001	2000
Cash and cash equivalents	\$ 274,844	\$ 328,062
Mortgage, industrial and commercial loans	384,092	431,658
Loans to affiliated companies	67,247	98,833
Securities	417,174	281,327
Interest receivable	8,782	8,315
Other assets	10,287	754
	\$ 1,162,426	\$ 1,148,949

**NOTE 8 ACCOUNTS PAYABLE AND OTHER**

	2001	2000
Accounts payable and other	\$ 35,383	\$ 43,332
Repurchase agreements	10,593	4,106
Future income tax liabilities	2,277	1,979
	\$ 48,253	\$ 49,417

**NOTE 9 COMMITMENT TO MAINTAIN COMMON SHAREHOLDERS' EQUITY**

Desjardins-Laurentian Financial Corporation Inc. (DLFC) is committed, under agreements with credit-rating agencies, to maintain common shareholders' equity of at least \$5,000,000 in each of DSFSM Inc. and its subsidiaries, Desjardins Trust Inc. and Crédit Industriel Desjardins inc. The Fédération des caisses Desjardins du Québec has unconditionally guaranteed DLFC's commitment.

These agreements are irrevocable. However, they may be terminated by providing five years' prior notice or if the credit-rating agencies indicate that this commitment is no longer necessary.

**NOTE 10 SHAREHOLDERS' EQUITY****Capital stock authorized**

2,400,000 common shares carrying one vote per share, with a par value of \$25 each.

880,000 Series 1 preferred shares (972,000 in 2000), with a par value of \$25 each, preferential cumulative dividend at a rate equal to 70% of the daily prime rate,

redeemable at the Corporation's option at the price of \$25 per share or by mutual agreement for cancellation purposes.

	2001	2000
<b>Capital stock issued and fully paid</b>		
1,487,480 common shares	\$ 37,187	\$ 37,187
880,000 Series 1 preferred shares (972,000 in 2000)	22,000	23,900
	\$ 59,187	\$ 61,087

In 2001, the Corporation redeemed 91,300 preferred shares for a total amount of \$1,911,000 (108,700 preferred shares for an amount of \$2,052,000 in 2000).

In December 2001, the Corporation cancelled 92,000 preferred shares redeemed during 2001 and in December 2000, 700 of which were self-detained as at December 31, 2000. The surplus of the par value over the price paid \$1,924,000, i.e. \$376,000, was recognized in the contributed surplus.

In December 2000, the Corporation cancelled 108,000 preferred shares. The surplus of the par value over the price paid \$2,039,000, i.e. \$661,000, was recognized in the contributed surplus.

When the preferred shares were redeemed in 2001, a special, non-distributable surplus of \$1,924,000, included in the consolidated retained earnings, was created and will be maintained until additional letters patent have been obtained. With respect to the redemption of 108,000 preferred shares in 2000, a special surplus of \$2,039,000 was paid once the additional letters patent were obtained.

During the 2001 financial year, the Corporation declared and paid \$20,000,000 in dividends on its common shares.

**NOTE 11 INCOME TAXES**

Income taxes presented in the statement of earnings are detailed as follows:

	2001	2000
Current	\$ 10,155	\$ 6,663
Future		
Income tax expense (benefit) resulting from a variation in the tax rate	(362)	601
Other	(723)	1,899
	\$ 9,070	\$ 9,163

Consolidated earnings are subject to Canadian income taxes. The effective income tax rate on consolidated earnings will vary each year according to changes in the statutory rate structure. The consolidated provision for

income taxes on the consolidated statement of earnings differs from the provision obtained by applying the Canadian statutory rate for the following reasons:

	2001	2000
Income taxes at the Canadian statutory rate	\$ 8,757	\$ 8,627
Future income tax expense (benefit) resulting from a variation in the tax rate	(362)	601
Non-deductible or non-taxable items, net	230	206
Decrease in valuation allowance	—	(247)
Non-taxable dividends	(347)	(26)
Other	792	2
	\$ 9,070	\$ 9,163

The tax effect of temporary differences and net operating losses resulting in future income tax assets and liabilities is as follows:

	2001	2000
<b>Future income tax assets</b>		
Temporary differences		
Provision for loan losses	\$ 1,016	\$ 1,258
Miscellaneous provisions and accrued liabilities	3,098	1,853
Other	1,724	1,321
	5,838	4,432
Losses carried forward	677	700
	6,515	5,132
<b>Future income tax liabilities</b>		
Administration expenses receivable	1,074	1,057
Other	1,203	922
	2,277	1,979
<b>Future income tax assets, net</b>	\$ 4,238	\$ 3,153

The Corporation has non-capital tax losses for which future income tax assets have been recorded. These losses may be carried forward and used to reduce taxable income in future years as follows:

2003	\$ 502
2004	645
2005	247
2006	97
2007	265
	\$ 1,756

**NOTE 12 EMPLOYEE FUTURE BENEFITS**

Employees of the Corporation benefit from defined benefit pension plans through a multi-employer pension plan of the Mouvement des caisses Desjardins. On January 1, 2000, the date of the most recent actuarial valuation, the plan reported a surplus of \$312 million.

The Board of Directors of the Fédération des caisses Desjardins du Québec agreed that the participants should profit from part of the surplus of the assets available. The employer and employees benefit from a partial contribution holiday amounting to 50% of the contributions usually paid for the period from July 1, 2001 to December 27, 2003.

The Corporation's contribution to the pension plan, charged to earnings and paid to the plan, amounted to \$2,694,854 in 2001 (\$3,094,564 in 2000).

The Corporation's contribution to the various insurance plans, charged to earnings and paid to the plan, amounted to \$1,631,681 in 2001 (\$1,433,889 in 2000). No assets have been set aside with respect to post-retirement group insurance coverage.

**NOTE 13 CONSOLIDATED STATEMENTS OF CASH FLOWS**

During the year, \$54,941,000 in interest was paid (\$56,212,000 in 2000) and \$15,909,000 in income taxes was paid (\$1,175,000 in 2000).

**NOTE 14 RELATED PARTY TRANSACTIONS**

In addition to the borrowing and loan transactions with the affiliated companies described in the financial statements, the Corporation carries out transactions with other member corporations in the Mouvement des caisses

Desjardins and other related organizations in the normal course of business at the exchange value, which is the consideration determined depending upon market conditions and accepted by the related parties, as follows:

Related parties	2001				2000			
	Assets	Liabilities	Revenues	Expenses	Assets	Liabilities	Revenues	Expenses
	\$	\$	\$	\$	\$	\$	\$	\$
DSFSM and its subsidiaries	67,247	18	5,706	(833)	99,349	—	8,478	(1,477)
DLFC and its subsidiaries	439	1,780	1,454	15,621	330	2,624	1,615	16,284
Other entities which are members of the Mouvement des caisses Desjardins	81,873	11,606	18,849	36,479	57,166	11,689	17,962	36,085
	149,559	13,404	26,009	51,267	156,845	14,313	28,055	53,846

Revenues are composed of interest on investments and fees, whereas expenses mainly comprise interest paid on secured deposits, as well as rent, insurance and

computer equipment expenses. Assets mainly consist of cash and loans while liabilities include secured deposits.

**NOTE 15 ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET**

The amounts indicated below reflect the fair value of financial instruments recognized on the Corporation's balance sheet, calculated according to the valuation methods and assumptions described below.

Although the fair value is intended to reflect the estimated amounts against which instruments may actually be exchanged in connection with a transaction between contracting parties, some of the Corporation's financial instruments have no market. Thus, they were attributed a value which takes into account interest rate and market rate fluctuations, as well as the portfolio's credit risk since the issuance of these instruments.

Interest-rate sensitivity is the main cause for the fluctuation in the fair value of the Corporation's financial instruments. The carrying amount of most of the Corporation's financial instruments is not adjusted to take into account the increases and decreases in the fair value related to interest-rate fluctuations since the Corporation's intention is to realize the value of these instruments over time by holding them until maturity.

The estimated fair value of financial instruments as at December 31 is as follows:

	Book value	2001 Market value	Book value	2000 Market value
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	316,280	316,292	387,838	387,865
Mortgage, industrial and commercial loans	384,092	393,678	431,658	428,327
Loans to an affiliated company	67,247	70,027	98,833	101,435
Securities	451,791	463,946	320,059	323,740
Interest receivable	8,823	8,823	8,532	8,532
Accounts receivable and other	43,945	43,945	23,135	23,135
<b>Liabilities</b>				
Secured deposits and interest payable	1,162,426	1,176,072	1,148,949	1,152,744
Accounts payable and other	45,976	45,976	47,438	47,438

The following methods and assumptions have been used to determine the estimated fair value of financial instruments on the balance sheet:

**Financial instruments at carrying value**

The estimated fair value of certain financial instruments recorded on the balance sheet is equal to their carrying value because they are short-term items. These financial instruments include the following items: cash, interest receivable, accounts receivable and other, as well as accounts payable and other.

**Cash equivalents**

The estimated fair value is determined based on market rates, when they are available. If such rates are not known, the estimated fair value is calculated using the market rates on similar money market securities.

**Mortgage, industrial and commercial loans**

The fair value of loans is estimated by discounting cash flows at the market rates for loans with a similar credit risk as at December 31, applied to the expected amounts at maturity. For certain loans at variable rates whose rates are frequently adjusted, the estimated fair value is presumed to correspond to their carrying value. For impaired loans, the fair value is equal to the carrying value in accordance with the valuation methods described in note 1.

**Loans to an affiliated company**

The fair value of these loans is estimated by discounting cash flows for mortgage loans transferred to an affiliated company at the market rates for loans with a similar credit risk as at December 31, applied to the expected amounts at maturity, adjusted to take into account anticipated repayments, if any.

**NOTE 15 ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET****Securities**

The estimated fair value of securities is shown in note 5 to the financial statements. It is based on quoted market prices, when available. If such prices are not known, the estimated fair value is determined using the quoted market prices of similar securities.

**Secured deposits**

The fair value of deposits whose maturity has not been determined is assumed to correspond to their carrying amount. The estimated fair value of fixed-rate deposits is determined by discounting the contractual cash flows at the current market interest rates for deposits bearing similar conditions and risks.

**NOTE 16 OFF-BALANCE-SHEET FINANCIAL**

In the normal course of business, various credit agreements and derivative product agreements were entered into to manage the risks related to interest-rate and foreign exchange fluctuations.

All off-balance-sheet financial instruments are subject to the usual standards related to credit, financial controls and risk management and control procedures. In addition to the credit risk, the Corporation is exposed to risks related to the nature of its off-balance-sheet derivative financial instruments, where the lack of a third party could result in economic losses on favourable contracts. However, the third parties to these derivative financial instruments are major financial institutions which, according to the Corporation, should meet their obligations under these agreements.

**a) Credit instruments**

Credit instruments are additional means of financing in the form of off-balance-sheet products such as guarantees, letters of credit, credit commitments and securities lending.

Credit commitments represent the unused amounts of credit authorizations given in the form of loans, guarantees or letters of credit. With respect to the credit risk related to its credit commitments, the Corporation is

subject to a contingent risk of an amount equal to the total unused commitments. However, most credit commitments depend on the clients' respecting well-established credit standards. Insofar as these instruments reach maturity or are not used in full, the credit risks of these instruments are lower than the contractual amounts.

In securities lending operations, the Corporation acts as the agent for the security holder who agrees to lend the security to a borrower for a commission according to the terms set out in a predetermined agreement. The borrower must, at all times, guarantee the borrowed securities (guaranteed by negotiable securities generally issued by the federal or provincial governments). There is a risk of loss if the borrower does not meet its commitments and the value of the security is insufficient to cover the amount of the loan. The credit risk related to these transactions is, however, considered to be minimal since the Corporation only does business with stock brokerage firms and financial institutions recognized as borrowers. Also, the borrower pledges securities of a value at least equivalent to the loan amount, adjusted on a daily basis, as collateral. Securities lending corresponds to the amount of clients' securities loaned as at December 31.

	2001 Contractual amount	2000 Contractual amount
Credit commitments	\$ 6,635	\$ 3,903
Securities lending	3,897,931	4,182,925
	\$ 3,904,566	\$ 4,186,828

**NOTE 16 OFF-BALANCE-SHEET FINANCIAL** *(continued)*

**b) Derivative financial instruments**

Interest-rate swaps, foreign exchange forward contracts and simultaneous interest-rate and foreign exchange swaps are used by the Corporation. They are financial contracts whose value depends on the interest rate and value of foreign currency. The use of derivatives allows the transfer, modification or reduction of current or expected risks, including interest-rate risks, foreign exchange risks and other market risks. Derivative financial instruments are used by the Corporation to manage its interest and foreign exchange rate risks. The Corporation does not enter into these contracts to obtain trading gains. Transactions are entered into with approved counterparties for which the Corporation maintains limits based on credit quality and structure.

**i) Interest-rate contracts**

*Swaps*

Interest rate swaps are transactions whereby two parties exchange flows of interest earned on a notional amount for a specified period, based on fixed and variable rates agreed to between the two parties. Notional amounts are not the subject of an exchange.

*Interest-rate floors*

Interest-rate floors are option contracts on interest-rate differences, negotiated by mutual agreement, wherein a floor on the interest rate is predetermined and which, by the payment of a premium to the vendor, gives the purchaser the right to receive, and the vendor the obligation to pay, at each reference period, the difference in interest between the variable reference rate and the floor set in the contract, if that rate is higher.

*Interest-rate caps*

Interest-rate caps are option contracts on interest-rate differences, negotiated by mutual agreement, wherein a cap on the interest rate is predetermined and which,

by the payment of a premium to the vendor, gives the purchaser the right to receive, and the vendor the obligation to pay, at each reference period, the difference in interest between the variable reference rate and the cap set in the contract, if that rate is lower.

*Options*

Options are contractual agreements according to which the vendor grants the purchaser the right, without obligation, to purchase (call option) or sell (put option) by a certain date, a specific amount of financial instruments at a predetermined price. The vendor receives a premium from the purchaser in exchange for that right.

**ii) Foreign exchange and market-index contracts**

*Simultaneous interest-rate and foreign exchange swaps*

Simultaneous interest-rate and foreign exchange swaps are transactions whereby two parties exchange foreign currencies and interest rates based on a notional amount over a predetermined period. The notional amount is usually exchanged at the beginning of the transaction, then again at maturity. Foreign exchange forward contracts are transactions in which interest payments at a fixed or variable rate in a foreign currency are made against the receipt of interest payments at a fixed or variable rate in another currency.

*Simultaneous interest-rate and market-index swaps*

Simultaneous interest-rate and market-index swaps are transactions whereby a counterparty exchanges the market yield for the interest cash flow or vice versa, based on a specific notional amount over a predetermined period. Notional amounts are not exchanged.

*Foreign exchange forward contracts*

Foreign exchange forward contracts are commitments between the two parties to exchange two foreign currencies at a future date, according to a rate agreed to when the contract is entered into.

**NOTE 16 OFF-BALANCE-SHEET FINANCIAL** *(continued)*

The following table provides an overview of the derivative financial instruments portfolio and related credit risk as at December 31.

	Notional amount	Fair value	2001 Credit risk	Notional amount	Fair value	2000 Credit risk
	\$	\$	\$	\$	\$	\$
<b>Interest-rate contracts</b>						
Swaps	675,308	779	—	546,765	(1,574)	1,044
Interest-rate floors	50,000	(1,109)	—	125,000	(77)	—
Interest-rate cap-short position	—	—	—	55,000	64	64
Option sold	46,700	(49)	—	20,000	—	—
<b>Foreign exchange and market-index contracts</b>						
Simultaneous interest-rate and foreign exchange swaps	67,714	(5,609)	—	25,395	(373)	—
Simultaneous interest-rate and market-index swaps	14,910	(743)	—	17,000	(511)	—
Foreign exchange forward contracts	5,336	(56)	79	4,285	9	9
	<b>859,968</b>	<b>(6,787)</b>	<b>79</b>	<b>793,445</b>	<b>(2,462)</b>	<b>1,117</b>

All derivatives are concluded with financial institutions including \$15,336,000 as at December 31, 2001, with the Caisse centrale Desjardins (\$24,285,000 as at December 31, 2000).

*Notional amount*

The notional amount is the amount to which a rate or price is applied to calculate the exchange of cash flows.

*Fair value*

The fair value of the derivative products was estimated based on the quoted market prices for contracts with similar terms and credit risks. The fair value reflects the estimated amount that the Corporation could receive or might have to pay to cancel the contracts as at December 31.

*Credit risk*

The amount of credit risk is the risk of financial loss the Corporation is assuming in the event a counterparty fails to honour its commitments.

**NOTE 16 OFF-BALANCE-SHEET FINANCIAL** (continued)

The maturities and weighted average interest rates paid and received on interest rate contracts are as follows:

2001	Less than 1 year		From 1 to 3 years		Notional Amount From 3 to 5 years		More than 5 years		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Interest-rate contracts</b>										
Swaps										
Due at a fixed rate	—	—	35,000	5.14	—	—	—	—	35,000	5.14
Payable at a fixed rate	238,950	4.47	210,358	5.37	135,000	4.73	6,000	6.88	590,308	4.87
Payable / Due at a variable rate	25,000	2.35	25,000	2.25	—	—	—	—	50,000	2.30
Floor-vendor	25,000	n/a	25,000	n/a	—	—	—	—	50,000	n/a
Cap-vendor	—	—	—	—	—	—	—	—	—	—
Option sold	40,000	n/a	6,700	n/a	—	—	—	—	46,700	n/a
<b>Foreign exchange and market-index contracts</b>										
Simultaneous interest rate and foreign exchange swaps										
Payable / Due at a variable rate	10,395	2.18	—	—	—	—	7,650	4.03	18,045	2.97
Payable at a fixed rate	8,932	7.30	40,737	9.75	—	—	—	—	49,669	9.31
Simultaneous interest-rate and market-index swaps										
Due at a variable rate	14,910	1.63	—	—	—	—	—	—	14,910	1.63
Foreign exchange forward contracts										
Due	1,990	n/a	—	—	—	—	—	—	1,990	n/a
Payable	3,346	n/a	—	—	—	—	—	—	3,346	n/a
	368,523	n/a	342,795	n/a	135,000	n/a	13,650	n/a	859,968	n/a

**NOTE 16 OFF-BALANCE-SHEET FINANCIAL** (continued)

2000	Less than 1 year		From 1 to 3 years		Notional Amount From 3 to 5 years		More than 5 years		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Interest-rate contracts</b>										
Swaps										
Due at a fixed rate	165,000	6.79	—	—	—	—	—	—	165,000	6.79
Payable at a fixed rate	129,365	5.71	202,400	5.96	50,000	6.08	—	—	381,765	5.89
Payable / Due at a variable rate	—	—	—	—	—	—	—	—	—	—
Floor-vendor	100,000	n/a	25,000	n/a	—	—	—	—	125,000	n/a
Cap-vendor	55,000	n/a	—	—	—	—	—	—	55,000	n/a
Option sold	—	—	20,000	n/a	—	—	—	—	20,000	n/a
<b>Foreign exchange and market-index contracts</b>										
Simultaneous interest-rate and foreign exchange swaps										
Payable / Due at a variable rate	15,000	6.03	10,395	5.78	—	—	—	—	25,395	5.93
Payable at a fixed rate	—	—	—	—	—	—	—	—	—	—
Simultaneous interest-rate and market-index swaps										
Due at a variable rate	—	—	17,000	5.05	—	—	—	—	17,000	5.05
Foreign exchange forward contracts										
Due	1,320	n/a	—	—	—	—	—	—	1,320	n/a
Payable	2,965	n/a	—	—	—	—	—	—	2,965	n/a
	468,650	n/a	274,795	n/a	50,000	n/a	—	n/a	793,445	n/a

#### NOTE 17 INTEREST-RATE RISKS

The tables below illustrate the Corporation's sensitivity to interest-rate fluctuations as at December 31, 2001 and 2000. This situation only applies on that date and could have changed subsequently, given the interest-rate forecasts and the client's choice of products and maturity dates. The main assumptions used are as follows:

##### Assets

Fixed-term assets, such as mortgage, industrial and commercial loans, are shown according to their expected maturity date, rates and repayment conditions, evaluated based on historical data.

##### Deposits or liabilities

Non-performing interest deposits are not considered to be sensitive to interest-rate fluctuations. Investment certificates are shown according to the anticipated maturity, without considering anticipated renewal options. Term deposits are presented according to the expected maturity dates.

#### Interest-rate sensitivity as at December 31, 2001

	From 0 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 2 years	2 years and over	Not interest-rate sensitive	Total
<b>2001</b>							
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Cash and cash equivalents	316,280	—	—	—	—	—	316,280
	2.40%	—	—	—	—	—	2.40%
Mortgage, industrial and commercial loans	41,710	40,863	71,357	100,223	131,028	(1,089)	384,092
	6.75%	6.48%	6.38%	6.67%	6.66%	—	6.62%
Loans to an affiliated company	27,223	2,335	6,079	13,137	18,473	—	67,247
	5.86%	6.75%	6.53%	6.56%	7.45%	—	6.52%
Securities	59,585	59,584	87,485	129,438	115,699	—	451,791
	4.40%	5.03%	4.98%	6.73%	4.44%	—	5.27%
Interest receivable	—	—	—	—	—	8,823	8,823
Other assets	—	—	—	—	—	63,705	63,705
	444,798	102,782	164,921	242,798	265,200	71,439	1,291,938
	3.29%	5.65%	5.64%	6.70%	5.75%	—	4.74%
<b>Liabilities and shareholders' equity</b>							
Secured deposits	659,872	102,415	150,830	117,201	112,703	19,405	1,162,426
	1.79%	4.63%	4.15%	4.35%	5.27%	—	2.91%
Accounts payable and other	—	—	—	—	—	48,253	48,253
Shareholders' equity	22,000	—	—	—	—	59,259	81,259
	4.46%	—	—	—	—	n/a	1.21%
	681,872	102,415	150,830	117,201	112,703	126,917	1,291,938
	1.88%	4.63%	4.15%	4.35%	5.27%	n/a	2.70%
Balance sheet variance	(237,074)	367	14,091	125,597	152,497	(55,478)	—
Off-balance-sheet variance <sup>(1)</sup>	192,419	(5,000)	(44,932)	(110,137)	(32,350)	—	—
<b>Total variance</b>	<b>(44,655)</b>	<b>(4,633)</b>	<b>(30,841)</b>	<b>15,460</b>	<b>120,147</b>	<b>(55,478)</b>	<b>—</b>

(1) The off-balance-sheet variance represents the net notional amount related to off-balance-sheet financial instruments used to manage interest-rate risks.

**NOTE 17 INTEREST-RATE RISKS** (continued)**Interest-rate sensitivity as at December 31, 2000**

	From 0 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 2 years	2 years and over	Not interest-rate sensitive	Total
2000							
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Cash and cash equivalents	387,838	—	—	—	—	—	387,838
	5.92%	—	—	—	—	—	5.92%
Mortgage, industrial and commercial loans	49,063	53,964	96,132	84,618	148,321	(440)	431,658
	7.24%	7.28%	7.26%	6.86%	6.99%	n/a	7.10%
Loans to an affiliated company	30,814	6,350	17,823	13,005	30,841	—	98,833
	8.02%	7.85%	7.13%	7.29%	7.52%	—	7.60%
Securities	81,386	5,461	26,354	83,843	122,995	20	320,059
	3.57%	6.33%	7.68%	6.40%	6.55%	n/a	5.84%
Interest receivable	—	—	—	—	—	8,532	8,532
Other assets	—	—	—	—	—	41,127	41,127
	549,101	65,775	140,309	181,466	302,157	49,239	1,288,047
	5.81%	7.26%	7.32%	6.68%	6.87%	n/a	6.20%
<b>Liabilities and shareholders' equity</b>							
Secured deposits	542,450	104,236	211,033	144,199	124,499	22,532	1,148,949
	4.83%	5.61%	5.44%	5.45%	5.69%	n/a	5.09%
Accounts payable and other	—	—	—	—	—	49,417	49,417
Shareholders' equity	24,287	—	—	—	—	65,394	89,681
	5.25%	—	—	—	—	n/a	1.42%
	566,737	104,236	211,033	144,199	124,499	137,343	1,288,047
	4.85%	5.61%	5.44%	5.45%	5.69%	n/a	4.64%
Balance sheet variance	(17,636)	(38,461)	(70,724)	37,267	177,658	(88,104)	—
Off-balance-sheet variance <sup>(1)</sup>	105,900	30,000	30,000	(35,000)	(130,900)	—	—
<b>Total variance</b>	<b>88,264</b>	<b>(8,461)</b>	<b>(40,724)</b>	<b>2,267</b>	<b>46,758</b>	<b>(88,104)</b>	<b>—</b>

(1) The off-balance-sheet variance represents the net notional amount related to off-balance-sheet financial instruments used to manage interest-rate risks

The assets and liabilities on and off the balance sheet shown in the above tables are recorded in the reference periods corresponding to the date closest to their maturity or contractual re-evaluation date. Certain balance sheet

items are not a source of interest-rate risk for the Corporation. These items are indicated in the columns of the table showing instruments not sensitive to interest-rates.

**NOTE 18 COMMITMENTS**

The Corporation has commitments under operating leases for office space and computer equipment for a total amount of \$32,879,473 until the leases expire. The annual instalments for the next five years are: \$10,430,880 in 2002, \$10,378,017 in 2003, \$5,160,154 in 2004, \$4,747,750 in 2005 and \$1,655,952\$ in 2006.

These include commitments to a member entity of the Mouvement des caisses Desjardins under long-term leases for office space of \$20,882,395 until the leases expire. Annual payments over the next five years are: \$4,947,584 in 2002, \$4,871,475 in 2003, \$4,849,654 in 2004, \$4,652,740 in 2005 and \$1,560,942 in 2006.

**NOTE 19 CONTINGENT LIABILITY**

In Management's opinion, any damages and interest the Corporation may have to pay as a result of legal actions instituted against it and its subsidiaries will not be material.

**NOTE 20 SEGMENT DISCLOSURE**

The Corporation operates in three main segments, described below. Each segment offers different services, uses its own marketing strategies, and generates separate financial information.

**Personal services**

Personal services comprise a range of specialized financial and trust products and services, including investment funds, portfolio management and agency services such as property and estate administration. Fees are the main source of income from this segment.

**Corporate services**

Corporate services include administrative and custodial services, registrar and trust services as well as group savings plans. Fees are the main source of income from this segment.

**Financial intermediary services**

Financial intermediary services consist of issuing term deposits and investing the proceeds in mortgage loans, other loans and securities. Net investment income is the main source of income from this segment.

	Personal services	Corporate services	Financial interme- diary services	2001 Total	Personal services	Corporate services	Financial interme- diary services	2000 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Income from third parties	44,883	49,698	21,897	116,478	47,180	45,171	22,320	114,671
Earnings before income taxes	1,138	14,864	7,562	23,564	1,883	11,894	8,845	22,622
Income taxes				9,070				9,163
Net earnings				14,494				13,459

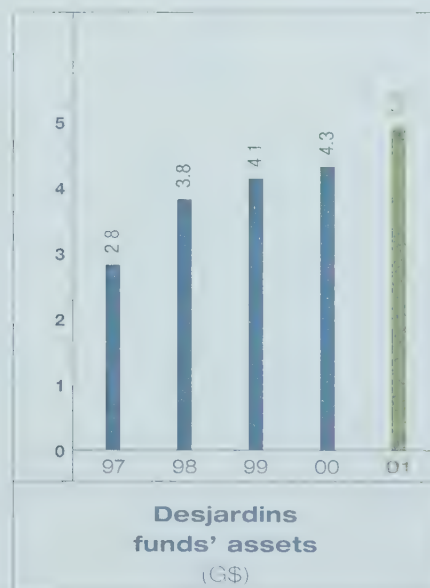
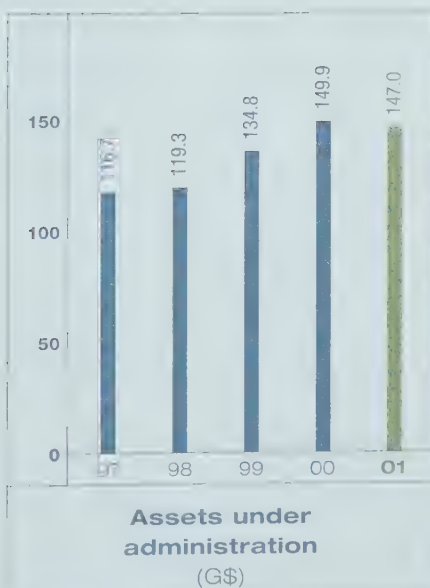
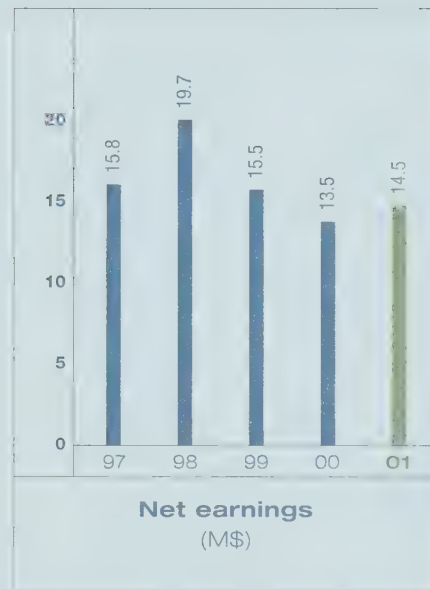
Almost all of the Corporation's assets are related to its financial intermediary services. As a result, identifiable assets by segment have not been disclosed.

The accounting policies of the various segments are the same as those described in the summary of significant accounting policies. Desjardins Trust measures

the performance of each segment based on earnings before income taxes.

The Corporation does not derive income from clients outside Canada, and none of its fixed assets are located outside Canada.

## Financial Highlights



## Five-Year Financial Summary

### SUMMARY OF RESULTS

<i>(in thousands of dollars)</i>	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
<b>Income</b>					
Fee income	<b>123,767</b>	119,743	109,463	98,754	76,707
Managers' fees and commissions on investment fund	<b>35,184</b>	33,110	28,495	23,811	12,001
Net fee income	<b>88,583</b>	86,633	80,968	74,943	64,706
Investment income	<b>79,519</b>	83,353	69,059	76,555	88,522
Interest expense	<b>51,624</b>	55,315	50,495	54,040	68,086
Recovery of provision for loan losses	<b>-</b>	-	-	-	(1,050)
Net investment income	<b>27,895</b>	28,038	18,564	22,515	21,486
<b>Income before operating expenses</b>	<b>116,478</b>	114,671	99,532	97,458	86,192
<b>Operating expenses</b>					
Salaries and employee benefits	<b>51,895</b>	49,572	43,116	40,871	39,632
Other operating expenses	<b>41,019</b>	42,477	39,476	36,696	27,202
	<b>92,914</b>	92,049	82,592	77,567	66,834
<b>Earnings before income taxes</b>	<b>23,564</b>	22,622	16,940	19,891	19,358
Income taxes	<b>9,070</b>	9,163	1,405	189	3,558
<b>Net earnings</b>	<b>14,494</b>	13,459	15,535	19,702	15,800

## Five-Year Financial Summary

### ASSETS ADMINISTERED AND HELD

(in millions of dollars)	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
<b>Assets</b>					
Mortgage, industrial and commercial loans	384	431	519	522	599
Loans to an affiliated company	67	99	131	237	299
Investments and securities	768	708	522	429	306
Other assets	73	50	35	30	26
	1,292	1,288	1,207	1,218	1,230
<b>Assets under administration</b>	145,675	148,630	133,640	118,048	115,518
<b>Total assets administered</b>	146,967	149,918	134,847	119,266	116,748

### LIABILITIES AND SHAREHOLDERS' EQUITY

(in millions of dollars)	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
Guaranteed deposits, notes and other liabilities	1,211	1,198	1,130	1,138	1,142
Shareholders' equity	81	90	77	80	88
	1,292	1,288	1,207	1,218	1,230

### PER SHARE

(in dollars)	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
Net earnings	9.07	11.1	11.1	11.1	11.1
Book value	39.85	41.1	41.2	41.1	41.1

### RATIOS

(%)	2001	2000	1999	1998	1997
	%	%	%	%	%
Return on shareholders' equity	20.1	20.8	25.2	31.6	22.3
Return on assets <sup>(1)</sup>	1.12	1.04	1.29	1.62	1.28

### NUMBER OF SHARES OUTSTANDING

(in thousands of dollars)	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
At year-end	1,487	1,487	1,457	1,487	1,487
Average of the year	1,487	1,487	1,457	1,487	1,487

(1) Before dividends on preferred shares

## Board Members

### **André Lachapelle** <sup>(1-4)</sup>

Chairman of the Board  
Notary  
Gagnon, Cantin, Lachapelle et associés  
Chairman of the Council of Representatives (CORE)  
Lanaudière

### **Jean-Pierre Roy** <sup>(1)</sup>

First Vice-Chairman of the Board  
General Manager  
Caisse populaire Desjardins de Windsor

### **Mario Beaudoin** <sup>(3)</sup>

General Manager  
Caisse populaire de Lafleche

### **Yvon Bergeron** <sup>(2)</sup>

General Manager  
Caisse populaire Desjardins de Grand-Mère

### **Yves Bernatchez** <sup>(4)</sup>

General Manager  
Caisse populaire de Cap-des-Rosiers

### **Réjean Brunelle** <sup>(3)</sup>

Management Advisor

### **Serge Cloutier** <sup>(3)</sup>

General Manager  
Caisse populaire Desjardins Allard-Saint-Paul

### **Normand Doucet** <sup>(4)</sup>

Member of the Council of Representatives  
Bas-Saint-Laurent and Gaspésie-Iles-de-la-Madeleine

### **Denis Drouin** <sup>(4)</sup>

Administrator  
Caisse populaire Desjardins Béarn-Fabre-Lorrainville

### **Jean-Paul Gagnon** <sup>(2)</sup>

Self-employed worker

### **Pierre L. Lambert** <sup>(2)</sup>

Lawyer  
Lambert et Cormier, lawyers

### **Jean Landry, CA** <sup>(1)</sup>

President and Chief Operating Officer  
Desjardins Trust

### **Roger Marchand** <sup>(2)</sup>

General Manager  
Caisse d'économie des employés de la C.I.P. La Tuque

### **André Paré** <sup>(1)</sup>

General Manager  
Caisse populaire Desjardins des Berges de La Baie

### **Alain Raïche** <sup>(1)</sup>

General Manager  
Caisse populaire Desjardins de L'Épiphanie

### **Serge Simard** <sup>(1)</sup>

Administrator  
Caisse populaire Desjardins De Hauterive

Member of the:

- (1) Executive Committee
- (2) Audit Committee
- (3) Ethics Committee
- (4) Investment Committee

Administrators who left  
the Board during the year:

**Frances Carrier**

**Sylvie St-Pierre Babin**

**Richard Sarrazin**

## Management

**Monique F. Leroux, FCA**  
President and  
Chief Executive Officer

**Jean Landry, CA**  
President and  
Chief Operating Officer

**Raymond Beauchamp**  
Senior Vice-President  
Corporate Services

**Claude Dupuis**  
Senior Vice-President  
Technologies

**François Gagnon**  
Senior Vice-President  
Finances

**Renald Letarte**  
Senior Vice-President  
Consumer Sales

**Normand Paquin**  
Senior Vice-President  
Marketing and  
Business Development

**Sylvie Riel**  
Senior Vice-President  
Product Management

**Pierre Bourret**  
Senior Vice-President  
Human Resources

**Denise Mongeon**  
Internal Auditor

**Guy Vallée**  
Corporate Secretary

**Lise Charbonneau**  
Vice-President,  
Custody and Pension Funds

**Claudette Durocher**  
Vice-President,  
Quality and Process Development

**Diane Filion**  
Vice-President, Development and Maintenance

**Vacant**  
Vice-President, Operations and Support

**Marc Audet**  
Vice-President, Immigrant Investors Program

**Denis Blais**  
Vice-President, Budget and Control

**Robert Comtois**  
Vice-President, Private Management Administration

**Vacant**  
Vice-President, Investments

**Michel Bolduc**  
Vice-President, Sales – Caisse Network

**Jean Brunelle**  
Vice-President, Sales – Private Management Centres

**Michel Préfontaine**  
Vice-President, Sales – Call Centres

**Suzanne Tremblay**  
Vice-President, Sales – Intermediary Networks

**Marc Dubuc**  
Vice-President, Marketing

**Hélène Gagné**  
Vice-President, Communications

**Hélène Desrochers**  
Vice-President, Savings and Investment  
Product Management

**Anik Duchesne**  
Vice-President, Investment Fund Accounting

**René Gagnon**  
Vice-President, Taxation Differed Savings Plans

## Where to reach us...

### HEAD OFFICE

#### Fiducie Desjardins

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#### Financial Call Centre

(514) 286-3225 or 1 800 361-2680  
Open from 8 a.m. to 8 p.m., Monday to Friday

#### Financing Services

(514) 286-9866 or 1 800 363-3942

#### Immigrant Investors Program

(514) 499-8440 or 1 800 363-3915  
info@immigrantinvestor.com

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#### Caisse populaire Desjardins

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Complexe Desjardins  
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Montréal (Québec) H5B 1B4

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